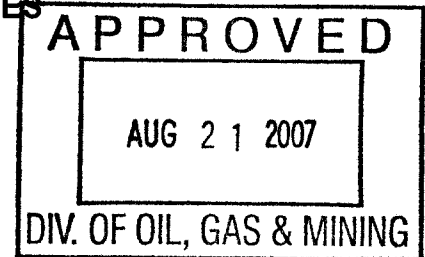


FORM MR-RC (SMO)
Revised August 9, 2006
RECLAMATION CONTRACT

Mine Name: Sliver 3-4

Other Agency File Number UTU-71326

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



---ooOoo---

SMALL MINE RECLAMATION CONTRACT

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between **David Penney aka Penney's Gemstones** the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. **S/001/057** which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as "Act") and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the mining operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the mining operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the mining operations conducted or to be conducted pursuant to a Complete Notice of Intention.
2. The Lands Affected by the mining operations and subject to the requirements of the Act and this Contract include:

☒ APPROVED

- A. All surface and subsurface areas affected or to be affected by the mining operations including but not limited to private on-site ways, roads, railroads; land excavations; drill sites and

workings; refuse banks or spoil piles; evaporation or settling ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, and waste discharge areas, structures, and facilities; and

- B. All mining disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as EXCLUDED on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the mining operations as described in the Complete NOI.
- 3. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI which are intended to assist in determining the location of the mining operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.
 - 4. The Operator prior to commencement of any mining operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as **ATTACHMENT A** to this Contract.
 - 5. If the Surety expressly provides for cancellation or termination for non-renewal:
 - A. The Operator shall within 60 days following the Division's receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or
 - B. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further mining activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety

for the purpose of fully satisfying all of the reclamation obligations incurred by the Operator prior to the date of termination, and the Division may thereafter require the Operator to begin immediate reclamation of the Lands Affected by the mining operations, and may, if necessary, proceed to take such further actions as may be required for the Division to forfeit the surety for the purpose of reclaiming the Lands Affected.

6. The Operator's liability under this Contract shall continue in full force and effect until the Division finds that the Operator has reclaimed the Lands Affected by mining operations in accordance with the Act and regulations, as amended. If the mining operations are modified or for any other reason vary from those described in the Complete Notice of Intention, the Operator shall immediately advise the Division, and the Notice of Intention shall be revised and the Surety amount shall be adjusted as necessary.
7. If reclamation of a substantial phase or segment of the Lands Affected by the mining operations is completed to the satisfaction of the Division, and the Division finds that such substantial phases or segments are severable from the remainder of the mining area, Operator may request the Division to find that Operator has reclaimed such area. If the Division makes such finding, Operator may make request to the Division for a reduction in the aggregate face amount of the Surety, and the Division may reduce the surety to an amount necessary to complete reclamation of the remaining mining operations as anticipated by the Complete Notice of Intention in accordance with the requirements of the Act and regulations, as amended.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the applicable rules.
9. Operator agrees to pay all legally determined public liability and property damage claims resulting from mining operations, to pay all permit fees, to maintain suitable records, to file all required reports, to permit reasonable inspections, and to fulfill all sundry reporting requirements applicable to the mine as required by the Act and implementing rules.
10. Operator agrees to indemnify and hold harmless the State, Board, and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
11. If Operator shall default in the performance of its obligations hereunder, Operator shall be liable for all damages resulting from the breach hereof including all costs, expenses, and reasonable attorney's fees incurred by the Division and/or the Board in the enforcement of this Contract.

12. Any breach of a material provision of this Contract by Operator may, at the discretion of the Division, in addition to other remedies available to it, result in an order by the Division requiring the Operator to cease mining operations, and may thereafter result in an Order, subject to an opportunity for notice and hearing before the Board, withdrawing and revoking the Notice of Intention, and requiring immediate reclamation by the Operator of the Lands Affected or forfeiture of the Surety.
13. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount that is required to comply with this Contract. Upon completion of the reclamation of all of the Lands Affected, any excess monies resulting from forfeiture of the Surety shall be returned to the rightful claimant.
14. The Operator shall notify the Division immediately of any changes in the Operator's registered agent, the Operator's address, form of business, name of business, significant changes in ownership, and other pertinent changes in the information required as part of the Notice of Intention. Notwithstanding this requirement, any changes to the Notice of Intention, and any errors, omissions, or failures to fully or accurately complete or update the information on the Notice of Intention, or the attached maps, shall not affect the validity of this Contract and the rights of the Division to enforce its terms.
15. If requested by the Division, the Operator shall execute addendums to this Contract to add or substitute parties, or to reflect changes in the Operator, Surety, and otherwise modify the Contract to reflect changes in the mining operations as requested by the Division. All modifications must be in writing and signed by the parties, and no verbal agreements, or modifications in any of the terms or conditions shall be enforceable.
16. This Contract shall be governed and construed in accordance with the laws of the State of Utah.

The signatory below represents that the Operator, if not a natural person, is a properly organized entity in good standing under the laws of Utah and the United States, is registered as an entity authorized to do business in the State of Utah, and that he/she is authorized to execute this Contract on behalf of the entity as Operator.

OPERATOR:

David Penney aka Penney's Gemstones
Operator Name

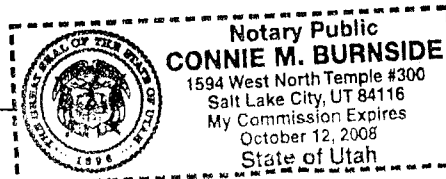
By David Penney
Authorized Officer (Typed or Printed)
individual
Authorized Officer - Position

David Penney 08-21-07
Officer's Signature Date

STATE OF Utah)
COUNTY OF Salt County) ss:

On the 21st day of August, 2007, David Penney
personally appeared before me, who being by me duly sworn did say that
he/she is an owner/officer (owner, officer, director, partner, agent
or other (specify)) of the Operator Penney's Gemstones and duly
acknowledged that said instrument was signed on behalf of said Operator by
authority of its bylaws, a resolution of its board of directors or as may otherwise
be required to execute the same with full authority and to be bound hereby.

Connie M. Burnside
Notary Public
Residing at S.L.C. Utah



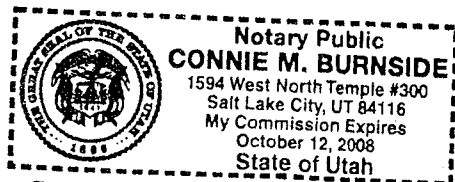
Oct. 12, 2008
My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By *John R. Baza*
John R. Baza, Director *Mary Ann Wright* Date *Aug 21, 2007*
Assoc. Dir

STATE OF *Utah*)
COUNTY OF *Salt Lake*) ss:

On the *21st* day of *August*, 20 *07*, *Mary Ann Wright*
personally appeared before me, who being duly sworn did say that ~~he~~, the said
Mary Ann Wright ^{*Assoc.*} is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and she duly acknowledged to me that
she executed the foregoing document by authority of law on behalf of the State of Utah.



Connie M. Burnside
Notary Public
Residing at: *SLC, Utah*

Oct. 12, 2008
My Commission Expires:

FACT SHEET

Commodity: PICASSO MARBLE
Mine Name: Sliver 3-4
County: Beaver
Disturbed Acres: five (5)

Operator Name: David Penney aka Penney's Gemstones
Operator address: 2400 E 30 S BOX 312 BEAVER UT 84713-0312
Operator telephone: (435) 438-5522
Contact: David Penney
Operator email: ep7@xmission.com

There is indication the Operator has submitted a Nationwide bond to the BLM in the amount of \$50000.00. The Division has a copy of this bond. In order to meet Division regulatory requirements, the Division must be named as co-beneficiary on this Nationwide Bond in the form of a Letter of Credit. Please contact the bank and ask them to contact the Division for instructions and/or issue an amendment to the LOC listing the Division as co-beneficiary.

The BLM administers the following surety:

Surety Type: Letter of Credit
Bank Name: Utah Independent Bank
Surety Amount: \$ [REDACTED] of which \$20,000.00 is reclamation surety for Sliver 3-4
Account number: [REDACTED]
Surety Contact Name: Craig A. White
Surety Contact telephone: 435 438 2433
Surety Contact email: _____



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

IN REPLY REFER TO:
3809

(UT-924-OA)

UTU-71326,78613,79746

5/001/057

7/16/03
OAT

July 16, 2003

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

DECISION

Obligor/Operator:
David Penney
Penny Gemstones
P. O. Box 312
Beaver, UT 84713

Notice Operations: UTU-71326 (extended) - 5/001/05
UTU-78613 (extended) - 5/001/05
UTU-79746 - 5/001/148

Nationwide Bond Amount: \$50,000

Financial Institution:
Utah Independent Bank
P. O. Box 1030
Beaver, UT 84713

Nationwide Financial Guarantee Accepted
Notices Extended

You filed notices extending notices UTU-71326 and UTU-78613 with the Cedar City Field Office, Bureau of Land Management (BLM). The reclamation cost estimate is determined to be \$20,000 for Notice UTU-71326 and \$3,000 for Notice UTU-78613.

BLM currently holds a bond in the amount of \$3,000 for Notice No. UTU-79746.

This office received a letter of credit (LOC) in the amount of \$50,000 on July 14, 2003, and a Surface Management Personal Bond contract and Personal Rider on June 30, 2003, to secure bond coverage nationwide and to replace \$3,000 LOC issued by Utah Independent Bank to secure a bond for Notice UTU-79746.

The bond and the financial document have been examined and found satisfactory. The financial guarantee is accepted as of July 14, 2003. Accordingly, notices UTU-71326 and UTU-78613 are extended until January 20, 2005.

The bond covers operations conducted by or on behalf of the obligor/operator nationwide and bond coverage continues, uninterrupted, for the above obligor for Notice UTU-79746. The original security is being returned, enclosed, to Utah Independent Bank for disposition. Also, the unacceptable LOCs received by this office on June 13 and July 7, 2003, are being returned, enclosed, to the bank.

☒ APPROVED

FEB 06 2004

RECEIVED
DIV. OF OIL, GAS & MINING
email to E.O. 7/16/03 OA

The pledge for the bond is a LOC written by the financial institution named above. The LOC will be retained in this office until all terms and conditions of the operations have been fulfilled or until a satisfactory replacement bond has been accepted. The LOC will be returned to the financial institution when this office determines that the bond is not longer required.

The LOC will continue indefinitely in the absence of notice from the financial institution of its determination not to renew the letter. Such a notice must be received in this office at least 90 days prior to the original expiration date of May 28, 2004, or the automatic extension dates falling on the same day in subsequent years. A copy of such notice also should be provided to the obligor, who would then be responsible for providing a replacement security to the BLM. Unless the obligor provides a satisfactory replacement bond at least 30 days prior to the then fixed expiration date, BLM will demand that the financial institution pay the full amount of the credit to ensure continuing bond coverage of the obligor. Any such funds thus obtained will be retained as long as none are required to correct defaults, until the bond is no longer required or until replacement bond coverage is accepted by the BLM.

The bond will be maintained by this office. The bond constitutes coverage of all operations conducted by or on behalf of the obligor on Federal lands (nationwide). The bond provides coverage of the obligor where that obligor has interest in, and/or responsibility for plans of operations or notices on public lands issued under the authority of any of the Acts cited on the bond.

A total of \$26,000 is obligated to the above-mentioned 3809 notices in Utah. A total \$24,000 remains available for other 3809 notices/plans nationwide. If you have any questions concerning the bond, please contact Opolonia Abeyta at (801) 539-4123.

RITA STELMACH

Rita Stelmach,
Acting Chief, Branch of
Minerals Adjudication

Enclosure (financial institution only)
LOC dated Aug 26, 2002
LOCs dated May 28, 2003 (unacceptable)

cc: Ed Ginouves, Geologist, Cedar City Field Office, UT-040
Terry Snyder, Utah State Office, UT-923
Wayne Hedberg, UDOGM, File Nos. S/001/035 and S/001/056 (extended notices)



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Cedar City Field Office

176 East DL Sargent Drive
Cedar City, UT 84720
Telephone (435) 586-2401
FAX (435) 865-3058

5/001/057
5/001/056
E/001/148

January 23, 2003

Memorandum

To: Opie Abeyta
From: Ed Ginouves, Cedar City Field Office
Subject: **Financial Guarantee Requests**

I have an operator that should have three financial guarantees posted for the three new or extended notices he has active within the CCFO. The operator is:

Operator: Penney Gemstones (David Penney)
Address: P.O. Box 312, Beaver, Utah 84713
Telephone: 435-438-5522
FAX: 435-438-2555

The three case files for the new or extended notices are:

Case Name: Green Chameleon (*new notice*)
Case Number: UTU-79746
Acreage Involved: About 0.5 acres
Financial Security: **\$3,000**

Case Name: Sliver (*extended notice*)
Case Number: UTU-71326
Acreage Involved: About 5 acres
Financial Security: **\$20,000**

Case Name: Lost Gems (*extended notice*)
Case Number: UTU-78613
Acreage Involved: About 1 acre
Financial Security: **\$3,000**

My records show that I previously requested the Green Chameleon and Sliver notice financial guarantees (and that he posted the Green Chameleon guarantee), but I neglected to request the Lost Gems guarantee. The operator contacted me earlier this week about posting a single financial guarantee to cover all his open notices with BLM Utah, which would include the above three notices. If he does post a single guarantee, make sure the \$ amounts of above three notices are covered. If he posts separate guarantees, it will be necessary for the him to be sent a request for the Lost Gems extended notice.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, UT 84145-0155

<http://www.blm.gov>



RECEIVED

AUG 17 2004

DIV OF OIL GAS & MINING

IN REPLY REFER TO:

3809

(UT-924-OA)

UTU-70615, et al.

August 12, 2004

CERTIFIED MAIL--Return Receipt Requested

DECISION

Obligor/Operator:

David Penney

Penny Gemstones

P. O. Box 312

Beaver, UT 84713

Notice Operations: UTU-70615

UTU-70660

UTU-75877

UTU-75878

UTU-78293

Financial Institution:

Utah Independent Bank

P. O. Box 1030

Beaver, UT 84713

Nationwide Bond Amount: \$50,000

Nationwide Financial Guarantee Accepted to Cover Additional Notices

Notices Extended

You filed notices extending 3809 notices UTU-70615, UTU-70660, UTU-75877, UTU-75878 and UTU-78293 with the Fillmore Field Office, Bureau of Land Management (BLM). The reclamation cost estimate is determined to be as follows:

<u>3809 Notice</u>	<u>Reclamation Cost</u>
UTU-70615	\$1,000.00 - 5/023/083 - Rapunzel
UTU-70660	\$9,800.00 - 5/027/024 - Little Spot
UTU-75877	\$2,600.00 5/027/096 - Fantasy Land
UTU-75878	\$3,000.00 - 5/027/093 - Pretty in Pink
UTU-78293	\$1,800.00 - 5/027/093 - White Tiger
Total:	\$18,200.00

This office accepted a nationwide bond in the form of a letter of credit (LOC) in the amount of \$50,000 effective July 14, 2003. A total of \$26,000 is obligated for 3809 notices UTU-71326, UTU-78613, and UTU-79746 in Utah.

The nationwide financial guarantee is accepted as of August 11, 2004, to cover notices UTU-70615, UTU-70660, UTU-75877, UTU-75878, and UTU-78293. Accordingly, notices UTU-70615, UTU-70660, UTU-75877, UTU-75878, and UTU-78293 are extended until January 20, 2005.

The bond covers operations conducted by or on behalf of the obligor/operator for 3809 notices UTU-71326, UTU-78613, UTU-79746, UTU-70615, UTU-70660, UTU-75877, UTU-75878, and UTU-78293.

The pledge for the bond is a LOC written by the financial institution named above. The LOC will be retained in this office until all terms and conditions of the operations have been fulfilled or until a satisfactory replacement bond has been accepted. The LOC will be returned to the financial institution when this office determines that the bond is not longer required.

The LOC will continue indefinitely in the absence of notice from the financial institution of its determination not to renew the letter. Such a notice must be received in this office at least 90 days prior to the original expiration date of May 28, 2004, or the automatic extension dates falling on the same day in subsequent years. A copy of such notice also should be provided to the obligor, who would then be responsible for providing a replacement security to the BLM. Unless the obligor provides a satisfactory replacement bond at least 30 days prior to the then fixed expiration date, BLM will demand that the financial institution pay the full amount of the credit to ensure continuing bond coverage of the obligor. Any such funds thus obtained will be retained as long as none are required to correct defaults, until the bond is no longer required or until replacement bond coverage is accepted by the BLM.

The bond will be maintained by this office. The bond constitutes coverage of all operations conducted by or on behalf of the obligor on Federal lands (nationwide). The bond provides coverage of the obligor where that obligor has interest in, and/or responsibility for plans of operations or notices on public lands issued under the authority of any of the Acts cited on the bond.

A total of \$44,200 is obligated to the 3809 notices in Utah. A total \$5,800 remains available for other 3809 notices/plans nationwide. If you have any questions concerning the bond, please contact Opie Abeyta at (801) 539-4123.

JAMES F. KOHLER

James F. Kohler
Chief, Branch of Solid Minerals

cc: Ed Ginouves, CCFO (UT-040)
Sheri Wysong, FFO (UT-010)
Terry Snyder, USO (UT-923)
Joelle Burns, UDOGM
1594 W. North Temple, Suite 1210
Salt Lake City, UT 84114

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SURFACE MANAGEMENT PERSONAL BOND

Act of May 10, 1872, as amended (30 U.S.C. 22-54)
Act of October 21, 1976, as amended (43 U.S.C. 1732-35, 1782)
Act of September 13, 1982 (31 U.S.C. 9301 et seq.)
Act of September 27, 1988 (102 Stat. 1776)
(Act of April 16, 1993, 43 U.S.C. 299)

RECEIVED

AUG 17 2004

DIV OF OIL GAS & MINING

FORM APPROVED
OMB NO. 1004-0194
Expires: November 30, 2003

*new Bond
per
Rider
AO*

Plan of Operations/Notice _____ Statewide Utah Nationwide _____
(Name of State, if applicable) ("Yes" - if applicable)

KNOW ALL MEN BY THESE PRESENTS, THAT

David L. Penney
(name)
of P.O. Box 312 Beaver MT 594713
(address)

as principal; is held firmly bound unto the United States of America in the sum of Fifty
Thousand dollars (\$ 50,000).

lawful money of the United States, which may be increased or decreased by a rider hereto executed in the same manner as this bond.

The principal, pursuant to the authority conferred by Section 1 of the Act of September 13, 1982 (31 U.S.C. 9303), does hereby constitute and appoint the Secretary of the Interior to act as his attorney-in-fact for the purpose of negotiating the cash, letters of credit, savings accounts, certificates of deposit, or securities. The interest accruing on the United States securities, cash, or other instruments given above, in the absence of any default in the performance of any of the conditions, or stipulations set forth in this bond, the plan of operations/notice, must be paid to the principal. The principal hereby, for any heirs, executors, administrators, successors, and assignees, jointly and severally, ratifies and confirms whatever the Secretary will do by virtue of these presents.

The Secretary will transfer this deposit for the faithful performance of any and all of the conditions and stipulations as set forth in this bond, the plan of operations/notice cited above, and the regulations at 43 CFR Subpart 3809 and Subpart 3802. In the case of any default in the performance of the conditions and stipulations of such undertaking, it is agreed that the Secretary will have full power to assign, appropriate, apply, or transfer the deposit, or any portion thereof, to the satisfaction of any damages, reclamation, assessments, penalties, or deficiencies arising by reason of such default.

BOND CONDITIONS

1. WHEREAS the principal has an interest in a mining claim(s), millsite(s), or tunnel site(s) and/or responsibility for operations and/or reclamation on the mining claim(s), millsite(s), tunnel site(s) or public lands under the Acts cited in the bond; and
2. WHEREAS the principal has filed an acceptable notice with the United States Department of the Interior and/or received approval from the United States Department of the Interior of the plan of operations cited above and said plan of operations/notice contains certain stipulations and conditions; and
3. WHEREAS the principal hereby waives any right to notice of, and agrees that this bond will remain in full force and effect notwithstanding:
 - a. Any transfer(s) in whole or in part, of any or all of the land covered by the plan of operations/notice further agrees to remain bound under this bond as to the interests in the plan of operations/notice retained by the principal; and
 - b. Any modification of the plan of operations/notice or obligations thereunder; and
4. WHEREAS the principal hereby agrees that notwithstanding the cancellation or relinquishment of any mining claim(s), millsite(s), or tunnel site(s) covered by this plan of operations/notice, whether by operation of law or otherwise, the bond will remain in full force and effect as to the terms and conditions of the plan of operations/notice, and obligations covered by this bond; and
5. WHEREAS the principal agrees that in the event of any default under the plan of operations/notice and/or reclamation plan the bond may be forfeited and, the United States, through the Bureau of Land Management, may commence and prosecute any claim, suit, or other proceeding against the principal without the necessity of joining the owner(s) of the mining claim(s), millsite(s), or tunnel site(s) covered by the plan of operations/notice; and
6. WHEREAS if the principal fails to comply with the provisions of 43 CFR 3809.595, the principal will also be subject to the applicable provisions and penalties of Sections 303 and 305 of the Federal Land Policy and Management Act of 1976, as amended (43 U.S.C. 1733 and 1735). This provision will not be construed to prevent the exercise by the United States of any other legal and equitable remedy, including waiver of the default; and

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212 make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on reverse)

BOND CONDITIONS (Continued)

7. WHEREAS, on the faith of the foregoing promises, representations, and appointments, and in consideration of this bond, the United States has accepted the plan of operations/notice referenced herein.
8. NOW, THEREFORE, the condition of this obligation is such that if said principal(s), heirs, executors, administrators, successors, or assignees will, in all respects, faithfully comply with all of the provisions of the plan of operations/notice referenced herein, any amendments thereto, and the rules and regulations contained in 43 CFR Subpart 3809 or Subpart 3802, as applicable, then this obligation will be null and void; otherwise it will remain in full force and effect.

Signed this 27 day of June, 2003

ACKNOWLEDGEMENT:

Subscribed and sworn to before me this 27th day

of June, 2003

By

Title

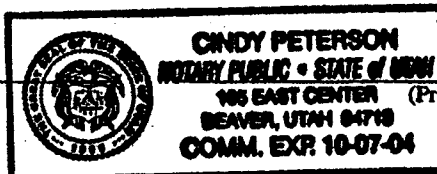
Business Address

Andy Peterson
(Notary Public)

6/27/04

(Date Commission Expires)

[SEAL]



[SEAL]

If this bond is signed by a corporation, it must bear the seal of the corporation

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

AUTHORITY: 30 U.S.C. 22 et seq.; 43 U.S.C. 1732[b] and 1782[c]; 31 U.S.C. 9301 et seq.; 43 CFR 3802 and 3809.

PRINCIPAL PURPOSE: Information is being used to establish financial responsibility for surface disturbance on public lands.

ROUTINE USES: BLM will only disclose the information according to the regulations at 43 CFR 2.56 (d).

EFFECT OF NOT PROVIDING INFORMATION: Disclosure of the information is necessary to receive a benefit. Failure to disclose this information may result in BLM's rejection of your application.

The Paperwork Reduction Act of 1995 requires us to inform you that:

BLM collects this information to grant the right to conduct exploration and mining activities on public lands.

Response to this request is required to obtain a benefit.

BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT

Public reporting burden for this form is estimated to average 8 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management (1004-0194), Bureau Information Collection Clearance Officer (WO-630), 1849 C Street, N.W., Washington, D.C. 20240.

PERSONAL BOND RIDER

Page 1 of 2

In consideration for this rider and the acceptance of this rider by the Bureau of Land Management (BLM) on behalf of the United States of America, this rider attaches to and is part of the current Surface Management Bond, BLM No. UT _____ further described as:

RECEIVED

Issued on behalf of

David Penney

AUG 17 2004

Principal/Obligor, in favor of the United States. The bond provides coverage as shown below: DIV OF OIL GAS & MINING

☐ Individual notice/plan of operations - BLM serial number _____

☒ Statewide Utah
(Name of State)

☒ Nationwide YES
(If Applicable, Write/Type "Yes")

~~~~~

This rider is to amend the bond as follows:

☐ **INCREASE / DECREASE IN DOLLAR AMOUNT OF BOND COVERAGE**

It is understood and agreed that \_\_\_\_\_, Principal, is increasing/decreasing the coverage of this bond to the amount shown below; however, this rider shall not act to increase/decrease the actual cumulative or potential liability above the face amount of the bond, to wit: \_\_\_\_\_ U.S. dollars (\$ \_\_\_\_\_)

\_\_\_\_\_  
(dollars-amount in words)

\_\_\_\_\_  
(dollars-amount in figures)

.....

☒ **STATEWIDE BOND / NATIONWIDE BOND**

The Principal hereby agrees to and extend bond coverage to include any and all operations under Title 43 CFR, subparts 3802/3809, Surface Management.

.....

☐ **BOND COVERAGE EXTENDED**

The Principal hereby agrees to and extends bond coverage to include notice level operations pursuant to regulations at 43 CFR 3809, Surface Management.

.....

☐ **THIRD PARTY**

It is understood and agreed that \_\_\_\_\_  
Principal, is posting this bond on behalf of \_\_\_\_\_  
Operator, under notice/plan of operations, BLM serial number UTU- \_\_\_\_\_

.....

**PERSONAL BOND RIDER.**

Page 2 of 2

Personal Bond Rider Continued for Surface Management Bond, BLM No. UT \_\_\_\_\_

Issued on behalf of David Penney

Principal/Obligor, in favor of the United States.

#####

☐ **COPRINCIPAL**

It is understood and agreed that \_\_\_\_\_, Principal, is extending the coverage of the bond referenced above to include liabilities for operations conducted by

\_\_\_\_\_ on notice/plan of operations, BLM serial No.

UTU- \_\_\_\_\_;

Or: Specify the applicable operations under a statewide/nationwide bond.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**NOTE**

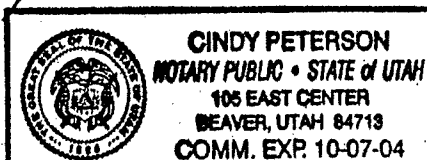
This coverage of obligations shall continue whether or not a notice/plan of operations has subsequently been suspended or terminated. This rider shall not act to increase the actual cumulative or potential liability of the principal or bond above the face amount of the bond. Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

\* Executed this 27 day of June, 2003.  
Principal David L. Penney  
By Owner  
Title Owner  
Business Address Box 312 Beaver UT  
[Signature]

**ACKNOWLEDGMENT:**

\* State of Utah, County of Beaver, Subscribed and sworn to  
before me this 27th day of June, 2003.  
By David L. Penney

Notary Public



My Commission Expires 10/9/04





A Full Service Bank ♦ FDIC Insured

PO Box 1030  
195 N. Main  
Beaver, UT 84713  
Phone (435) 438-2433  
Fax (435) 438-5885



IRREVOCABLE LETTER OF CREDIT

RECEIVED

AUG 17 2004

DIV OF OIL GAS & MINING

May 28, 2003

Beneficiary: U.S. Department of Interior - BLM  
Mining Law Unit, Branch of Minerals Adjudication  
PO Box 45155  
Salt Lake City, UT 84145-0155

**- COPY -  
NOT NEGOTIABLE**

Letter of Credit  
Amount: US \$50,000.00

We hereby establish this Irrevocable Letter of Credit in favor of the U.S. Department of Interior - BLM, for the account of David Penney, Penney Gemstone, PO Box 312, Beaver, UT 84713, up to the aggregate amount of Fifty Thousand and no/100 dollars, to cover operations under a nationwide bond. Said funds are available by presentation of your drafts drawn on us at sight, clearly referencing this Letter of Credit Number and accompanied by:

Your signed statement stating: "I/We hereby certify that David Penney, Penney Gemstone has failed to perform in accordance with terms and conditions of the statewide bond.

All drafts drawn must be marked: "Drawn under Letter of Credit No. 34097238 issued by Utah Independent Bank on May 28, 2003." All drafts drawn in compliance with the terms of this Letter of Credit will be honored by us if presented at our establishment located at 195 N. Main, PO Box 1030, Beaver, UT 84713 on or before May 28, 2004.

This Letter of Credit will be renewed for terms of one year upon each maturity date if all lending requirements are met by the borrower. If Utah Independent Bank is unable to renew this Letter of Credit, 90 days notice will be given to the BLM.

Sincerely,

Craig A. White  
President